

March 2005



North Dakota REV-E-NEWS

**From Pam Sharp, Director
Office of Management and Budget
600 E. Blvd. Ave., Dept. 110—Bismarck, ND 58505-0400**

February general fund revenues tracked closely with the original legislative forecast. Actual collections were \$5.7 million less than the original forecast; however, the original forecast did not anticipate amounts reserved for transfer to the permanent oil tax trust fund, which amounted to \$6.0 million in February.

North Dakota's economic indicators continue to show encouraging signs of a growing economy. Unemployment remains extremely low – a mere 3.3 percent in January 2005, compared to 3.5 percent the previous year. Also encouraging is the fact that during the past 12 months North Dakota's labor force has grown by over 2,000 workers.

A March 2005 news release by the United States Department of Labor – Bureau of Labor Statistics indicates that North Dakota enjoyed the second lowest unemploy-

ment rate in the nation for calendar year 2004. North Dakota's rate averaged 3.4 percent compared to the national average of 5.5 percent.

Nationally, the labor market has also improved. Unemployment has declined from 5.7 percent in January 2004 to 5.2 percent in January 2005. In January, national employment finally exceeded the pre-recession peak reached in February 2001.

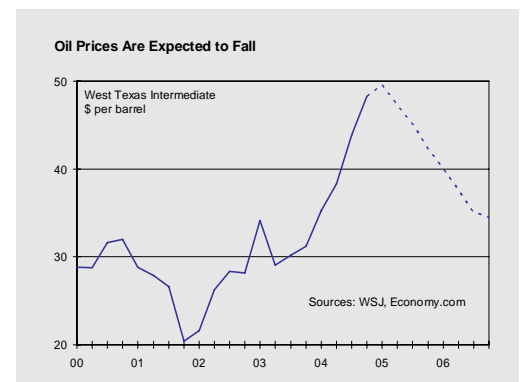
Real gross domestic product (GDP) growth has slowed, but remains strong at over 3 percent. Despite rising interest rates and energy costs, inflation is low and appears unlikely to present any threats to the economy in the near future. *Economy.com's* predictions for the consumer price index show inflation of 2.1 to 2.5 percent per year all the way through 2009.

Oil Activity

January oil production decreased slightly from December but remained strong at 90,250 barrels per day. Drilling permit activity also decreased from 31 permits issued in December to 17 permits in January. The average price for North Dakota crude increased in January to \$41 per barrel from the average December price of \$38 per barrel. Prices continue to rise and are currently at around \$50 per barrel. The current rig count is up 3 rigs, to 20 rigs.

Despite the current spike in oil prices, *Economy.com* predicts a steady decline in oil prices during the upcoming two years, level-

ing off at around \$35 per barrel by the end of 2006.



Permanent Oil Tax Trust Fund

North Dakota Century Code Section 57-51.1-07.2 establishes the permanent oil tax trust fund and provides that at the end of each biennium, all oil taxes collected and deposited in the general fund in excess of

\$71.0 million must be transferred to that fund. The \$71.0 million threshold was achieved in December 2004.

(cont'd on page 4)

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
February 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Leg. Forecast	Actual	Variance	Percent	March 2003 Leg. Forecast	Actual	Variance	Percent
Sales Tax	32,871,000	30,448,497	(2,422,503)	-7.4%	565,316,000	599,318,413	34,002,413	6.0%
Motor Vehicle Excise Tax	4,634,000	3,900,122	(733,878)	-15.8%	105,293,000	105,817,211	524,211	0.5%
Individual Income Tax	15,978,000	15,549,314	(428,686)	-2.7%	349,776,000	355,643,656	5,867,656	1.7%
Corporate Income Tax	1,880,000	2,609,979	729,979	38.8%	60,898,000	64,278,981	3,380,981	5.6%
Insurance Premium Tax	2,650,000	2,197,564	(452,437)	-17.1%	39,912,000	41,464,332	1,552,332	3.9%
Financial Institutions Tax	81,000	167,786	86,786	107.1%	2,761,000	2,345,576	(415,424)	-15.0%
Oil & Gas Production Tax*	1,667,000	-	(1,667,000)	-100.0%	36,272,000	45,534,044	9,262,044	25.5%
Gaming Tax	2,000,000	1,627,795	(372,205)	-18.6%	20,378,000	18,072,373	(2,305,627)	-11.3%
Lottery	-	-	-	-	280,000	1,432,434	1,152,434	411.6%
Interest Income	446,000	190,916	(255,084)	-57.2%	9,220,000	3,891,887	(5,328,113)	-57.8%
Oil Extraction Tax*	1,126,000	-	(1,126,000)	-100.0%	24,550,000	25,465,956	915,956	3.7%
Cigarette & Tobacco Tax	1,467,000	1,612,450	145,450	9.9%	30,997,000	33,373,643	2,376,643	7.7%
Departmental Collections	1,712,500	2,023,321	310,821	18.2%	46,279,109	54,175,283	7,896,174	17.1%
Wholesale Liquor Tax	384,000	406,752	22,752	5.9%	9,712,000	9,962,245	250,245	2.6%
Coal Conversion Tax	1,153,000	1,113,234	(39,766)	-3.4%	39,009,000	39,208,415	199,415	0.5%
Mineral Leasing Fees	300,000	823,392	523,392	174.5%	3,915,000	7,089,114	3,174,114	81.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	-	-			1,221,675	1,221,675		0.0%
Other Transfers	-	2,270	2,270	100.0%	80,580,004	80,907,633	327,629	0.4%
Total	68,349,500	62,673,389	(5,676,111)	-8.3%	1,456,369,788	1,519,202,870	62,833,082	4.3%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	68,349,500	62,673,389	(5,676,111)	-8.3%	1,456,369,788	1,575,659,451	119,289,663	8.2%

* Oil and gas production and oil extraction tax collections totaled \$6.0 million in February. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all the February collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$14.9 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
February 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	February 2003	February 2005	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	26,358,077	30,448,497	4,090,420	15.5%	537,514,748	599,318,413	61,803,665	11.5%
Motor Vehicle Excise Tax	3,941,509	3,900,122	(41,387)	-1.1%	99,385,577	105,817,211	6,431,633	6.5%
Individual Income Tax	14,683,392	15,549,314	865,922	5.9%	323,400,427	355,643,656	32,243,229	10.0%
Corporate Income Tax	1,521,780	2,609,979	1,088,199	71.5%	58,008,566	64,278,981	6,270,415	10.8%
Insurance Premium Tax	5,604,011	2,197,564	(3,406,448)	-60.8%	37,526,632	41,464,332	3,937,700	10.5%
Financial Institutions Tax	315,925	167,786	(148,139)	-46.9%	3,143,347	2,345,576	(797,771)	-25.4%
Oil & Gas Production Tax	2,147,819	-	(2,147,819)	-100.0%	35,242,257	45,534,044	10,291,787	29.2%
Gaming Tax	1,907,628	1,627,795	(279,833)	-14.7%	23,566,721	18,072,373	(5,494,348)	-23.3%
Lottery	-	-	-		-	1,432,434	1,432,434	100.0%
Interest Income	51,038	190,916	139,877	274.1%	6,555,775	3,891,887	(2,663,889)	-40.6%
Oil Extraction Tax	918,083	-	(918,083)	-100.0%	19,051,650	25,465,956	6,414,306	33.7%
Cigarette & Tobacco Tax	1,346,752	1,612,450	265,698	19.7%	33,198,191	33,373,643	175,452	0.5%
Departmental Collections	1,503,610	2,023,321	519,711	34.6%	50,865,023	54,175,283	3,310,259	6.5%
Wholesale Liquor Tax	403,898	406,752	2,854	0.7%	9,352,331	9,962,245	609,913	6.5%
Coal Conversion Tax	1,799,014	1,113,234	(685,780)	-38.1%	39,299,807	39,208,415	(91,393)	-0.2%
Mineral Leasing Fees	419,839	823,392	403,553	96.1%	5,587,507	7,089,114	1,501,606	26.9%
Bank of North Dakota-Transfer	-	-	-		45,000,000	30,000,000	(15,000,000)	-33.3%
State Mill & Elevator-Transfer	-	-	-		-	-	-	
Gas Tax Admin-Transfer	-	-	-		1,192,968	1,221,675	28,707	2.4%
Other Transfers	-	2,270	2,270	100.0%	18,818,380	80,907,633	62,089,254	329.9%
Total	62,922,374	62,673,389	(248,985)	-0.4%	1,346,709,909	1,519,202,870	172,492,961	12.8%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	62,922,374	62,673,389	(248,985)	-0.4%	1,346,709,909	1,575,659,451	228,949,542	17.0%

* Oil and gas production and oil extraction tax collections totaled \$6.0 million in February. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all the February collections will be reserved for transfer to the permanent oil tax trust fund. A total of \$14.9 million is now reserved for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium and is not reflected in general fund oil tax collections.

Revenue Variances

February 2005 general fund revenues would have slightly exceeded the 2003 legislative forecast if not for the fact that all oil taxes collected were required to be reserved for transfer to the permanent oil tax trust fund. General fund revenues were \$5.7 million less than projected after allowing for \$6.0 million of oil tax collections to be held in reserve for transfer to the permanent oil tax trust fund at the end of the 2003-05 biennium. Biennium to date revenue collections exceed the original legislative forecast by \$62.8 million, or 4.3 percent, not considering the \$56.5 million in federal fiscal relief payments that were deposited in the general fund. Major variances include the following:

Comments or Questions???

Call

Pam Sharp, Director

Phone: 701-328-4904

Fax: 701-328-3230

E-mail:

sfranklin@state.nd.us

Visit the North Dakota web site at

www.discovernd.com

Sales tax collections fell short of the original legislative forecast by \$2.4 million, reversing a portion of the excess collections received in January and attributed to timing.

Motor vehicle excise tax collections fell short of projections by approximately

\$730,000, but still exceed the biennium to date forecast.

Individual income tax collections fell short of the monthly forecast by approximately \$429,000 as a result of timing, but still exceed the biennium to date forecast by \$5.9 million.

Oil and gas taxes totaled \$6.0 million. However, pursuant to NDCC Section 57-51.1-07.2, all oil and gas taxes collected in excess of \$71.0 million must be transferred to the permanent oil tax trust fund at the end of the biennium. The \$71.0 million threshold was reached in December. Consequently, the entire amount collected in February has been reserved for transfer to the permanent oil tax trust fund.



Permanent Oil Tax Trust Fund (cont'd)

In February, \$6.0 million of oil tax collections were reserved for transfer to the permanent oil tax trust fund. Since December 2004, a total of \$14.9 million has been reserved for transfer at the end of the 2003-05 biennium. Amounts reserved for transfer to the permanent oil tax trust fund are excluded from total general fund collections reported in this newsletter.

HAPPY EASTER!

We're on the Web! <http://www.state.nd.us/fiscal>

Bismarck, ND 58505-0400

600 East Blvd. Ave., Dept 110

Office of Management and Budget

OMB